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**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



METROPOLITAN SOCIAL SERVICES  
523 MAINSTREAM DRIVE, SUITE A  
NASHVILLE, TENNESSEE 37228

April 28, 2008

RE: Fuel Poverty Summit

Dear MSS Stakeholders and Partners:

In order to bring attention to an important issue facing those who live in poverty, Metropolitan Social Services hosted a Fuel Poverty Summit on March 28, 2008. The Summit included national and local experts who made presentations including: Overview of Fuel Poverty, The Faith Community's Perspective, Reducing Costs Through Energy Efficiency, State and Local Perspectives of Assistance and Unmet Needs, Conclusions and Next Steps.

A great deal of useful information was presented, and it is summarized in the attached report. The report includes recommendations and next steps which were identified in a session facilitated by Roger Colton, partner in the firm Fisher, Sheehan & Colton, Public Finance and General Economics (FSC) of Belmont, Massachusetts.

The Nashville Area Chamber of Commerce plans to hold a Poverty Symposium later this year, under the leadership of Howard Gentry, CEO of the Chamber's Public Benefit Foundation, who also serves on the Metropolitan Social Services Board of Commissioners. As a member of the Planning Committee for the Poverty Symposium, I will share the recommendations identified in the Fuel Poverty Summit with the group, so that they can be incorporated with the overall issue of poverty and the effect it has on our community.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Gerri Robinson".

Gerri Robinson  
Executive Director



Summary of  
**Fuel Poverty Summit**

**Hosted by Metropolitan Social Services**

**March 28, 2008**  
**Main Library, Nashville, Tennessee**

Authored by Judith Tackett, Tackett Communications (615-517-7000)

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# Summary of Fuel Poverty Summit

March 28, 2008

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In order to bring attention to the needs of persons in poverty, Metropolitan Social Services (MSS) held a Fuel Poverty Summit. The Summit brought together national and local experts to discuss the issues of fuel poverty.

## *The Fuel Poverty summit included:*

Overview of Fuel Poverty

The Faith Community's Perspective

Reducing Costs Through Energy Efficiency

State and Local Perspectives of Assistance and Unmet Needs

Conclusions and Next Steps

Definition of Fuel Poverty – Fuel poverty occurs when people cannot pay the costs of utilities to keep their homes to the standard required for comfort and health.

Contributing factors to fuel poverty are the location and condition of a property, the type of heating/cooling system installed and the rising cost of fuel. Generally, a household should pay no more than 30% of its income on shelter, and utility costs should be no more than 20% of shelter costs. Therefore, utility costs should be less than 6%. When utility costs are higher than 6% of a household income, experts consider that a home energy burden.

Nashville's poverty statistics (U.S. Census Bureau, 2006 American Community Survey):

- 12.3% of all families live in poverty;
- 16.1% of all people live in poverty;
- 19.9% of families with related children under 18 live in poverty;
- 25.7% of related children in all households are living in poverty;
- 36% of female-headed households live in poverty;
- 44% of female-headed households with children under 18 live in poverty; and
- 54% of female-headed households with children under five live in poverty.
- In Nashville, more than 10,000 families have an annual income of less than \$10,000.

## Overview of Fuel Poverty

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### **Roger Colton**

Attorney and Economist

Partner at Fisher, Sheehan & Colton of Belmont, Massachusetts.

Roger Colton explained that an affordable home energy burden is at or below 6% of a household income. Households who live at or below 50% of the federal poverty level carry the biggest energy burden. In Davidson County, these households were billed 53.2% of their incomes in 2007 for home energy. Mr. Colton said that the odds that these households were able to actually pay these bills were “remote at best.”

Davidson County households with incomes 100-125% of the federal poverty level were billed 11.8% of their incomes in 2007 for home energy. According to Mr. Colton, 10% of energy burden is often viewed as the limit a household can handle before entering near-certain payment troubles. Even households between 150 and 185% of the federal poverty level spent 7.9% of their incomes in 2007 on home energy. While in 2004, these households (150-185% of poverty level) still met the 6% threshold, three years later, they were well above the 6% affordability line.

The Home Energy Affordability Gap is the shortfall between what people can afford and what the actual bill is. In 2004, the Home Energy Affordability Gap for Davidson, Shelby and Knox counties was \$132.8 million; in 2007, it was \$262.4 million. Thus, the Home Energy Affordability Gap grew from 2004 to 2007 by \$129.6 million. “Every dollar found in the Home Energy Affordability Gap is a dollar not available for housing, food or medical care,” Mr. Colton said.

The federal Low Income Home Energy Assistance Program (LIHEAP) is the biggest source of energy assistance to the poor, but it will never be able to fill the Home Energy Affordability Gap. A look at Davidson County in 2005 shows a LIHEAP allocation for Nashville of \$2.41 million. In the same year, the Home Energy Affordability Gap in Nashville was more than \$39.4 million. “If we increased LIHEAP tenfold, it would still fall short,” Mr. Colton said, adding that LIHEAP was not the answer.

Unaffordable energy has a variety of interdependent consequences and as such impacts housing, public health, public safety, hunger and nutrition, education, business competitiveness, and utilities.

- The Fair Market Rent’s proportion for shelter in Davidson County has decreased between 2003 and 2007 by \$23 per month (before adjusting for inflation).
- Davidson County’s Fair Market Rent for a two-bedroom home in 2003 was \$676 per month - \$589 for the shelter cost, \$87 for utility cost. (The Fair Market Rent includes utility costs, except for telephone expenses).
- While the Fair Market Rent for a two-bedroom home was increased to \$693 in 2007, the energy cost portion increased by \$40 to \$127, causing the shelter portion to actually DECREASE by \$23.

- Unaffordable energy costs affect education because poor families are often forced to move. Children who frequently move tend to fall behind in school.
- When homes are too cold, people become sick and miss work and/or school. If energy costs are too high, medicines become unaffordable and sometimes people even go hungry to pay the bills. Consequently, people fall ill and are fired because of tardiness, absenteeism, distraction on the job and a number of other factors that reduce productivity.

Looking at these aspects, Mr. Colton concluded that unaffordable home energy is a community problem, not simply a household problem. However, he said the problem cannot be addressed without spending money. While such an investment could save money long-term by reducing emergency room visits, improving public education, strengthening the local workforce, etc., communities still need to spend money upfront to help low-income households with their energy bills.

The energy industry can help low-income customers with (among other things) additional financial assistance, with creative solutions for their problems, and with expertise on public policy issues. Potential solutions to the home energy burden include:

- Promotion of available public assistance such as the Earned Income Tax Credit and Summer Food Service programs;
- Enforcement of existing laws regarding assistance such as an annual update to Food Stamp Standard Utility Allowance (SUA), which could result in higher Food Stamp allocations;
- Elimination of wasteful energy usage, for example, by requiring energy efficient construction in publicly-funded housing;
- Ending of the regulatory “war on the poor” by eliminating late fees on low-income customers; and
- Enforcement of regulatory consumer protection requirements such as consideration of a customer’s ability to pay by structuring deferred payment plans for arrears.

## **Faith Community Perspective**

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### **Tying Nashville Together (TNT)**

*Terrie Spetalnick, Ph.D., Vanderbilt University Department of Sociology*

TNT was founded in 1993 and is a citizens organization that consists of churches, synagogues, businesses, and neighborhood associations, where people of faith and power come together to improve the Nashville community. TNT does community organizing and is funded through membership dues. The group identifies community issues it wants to address in House Meetings. TNT seeks to address root causes and bring along systemic change. “The issues come from the

membership,” Ms. Spetalnick said. “At our most recent House Meeting we identified housing as a priority.”

About a year ago, TNT formed a Research and Action Team and started pulling together data. “We quickly saw that cost burden, something fuel poverty is a part of, is a big problem for Nashville,” Ms. Spetalnick said. “Cost burden is when the total housing cost, including fuel, takes up more than 30% of the income.” She noted that in Davidson County more than 45,000 households, which is about one third of all households, are cost-burdened. “The most unpredictable component of housing costs is utility bills and particularly energy bills,” Ms. Spetalnick said.

“Insufficient income is a problem in Nashville,” Ms. Spetalnick said, since about 30% of Nashville households earn less than \$25,000 a year. For people, who own their houses, there are cost benefits to making their homes more energy efficient. Recognizing this fact, the Metropolitan Development and Housing Authority (MDHA) has started improving energy efficiency in public housing. However, approximately half of all Nashvillians live in rental housing, and private market property owners do not have incentives to reduce energy costs of their properties. As a result, TNT recently started organizing a citywide tenant association consisting of residents of public housing and private renters. The group hopes such an association will call on the private rental sector for energy reduction measures of their properties.

Benefits of alleviating fuel poverty Ms. Spetalnick listed include:

- Improved physical health;
- Improved mental health & emotional well-being;
- Better nutrition because people tend to use their kitchens more; and
- Better family relations and social interactions.

## **Rooftop**

Bill Coke, Rooftop

Cathy Bryan Link, Rooftop

Rooftop is a faith-based partnership of congregations in Metropolitan Nashville providing rental assistance to individuals and families who are in need of emergency financial help in order to maintain stability in their housing, to prevent homelessness and to provide hope.

The group was formed about three years ago and now includes 28 congregations. Bill Coke, a founding member of Rooftop, said key to the organization’s success is its partnership with Metro Social Services.

“When a client calls to a church, the information is taken and then faxed to Metro Social Services,” Mr. Coke explained. “They then contact the person and set up an appointment.” MSS screens the clients and examines all options to help that person or family. If they find that Rooftop can help, they refer them to Cathy Bryan Link, who will then send payment directly to the property owner.

“We’re finding so many people in so much need in this community, and it’s gratifying that congregations are coming together and are able to work together on this common problem,” Mr. Coke said. “On the other hand, we only have 28 congregations at this point, and we have over 600 congregations in Nashville.”

Cathy Link said most people she sees live with enormous fear. People making \$7-\$12 an hour do not have any job protection such as sick leave. If their child is sick, they may be sacked if they cannot find someone to take care of the child.

“They get fired all the time,” she said, adding that often times 40-50% of their incomes goes towards housing.

Ms. Link gave some examples of situations people are dealing with when they come to ask for help:

- A young woman with two children: She works at Subway and lives in Section 8 Housing. When she received a promotion, her housing subsidies and Food Stamps were reduced. Her electric bill was \$693 because in December and January the heating unit was broken and constantly blew cold air. The property owner, however, did nothing about it. Finally, she was able to contact the Metropolitan Development and Housing Agency which helped solve the problem. However, nobody picked up the \$693 electric bill.
- An elderly couple lives in an old house in North Nashville, with a monthly income of \$1,200. They sold their car and still cannot afford their utility bills.
- In order to avoid being cut off, people pay a minimum on the bill, just enough to avoid losing utilities. They increase late fee charges and never seem to get themselves out of the circle of debt they create.

Ms. Link said that she frequently hears that the solution lies in budgeting because people need to budget better. She pointed out that while she agrees that good budgeting skills and financial literacy may help, Ms. Link said that it would be difficult for anyone to budget an income of \$630 a month when 45-50% of the income goes to housing and utilities.

## **Reducing Cost through Energy Efficiency**

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### **Nashville/Piedmont Gas**

Pamela Thomas

Piedmont Natural Gas, which is in the process of changing its name from Nashville Gas, is a company that distributes natural gas to more than one million customers, with about 160,000 customers in Tennessee.

Pam Thomas, community relations manager for Piedmont Natural Gas, listed several saving tips:

1. Have your furnace and gas appliances checked annually by a qualified gas contractor to ensure safety and maximum efficiency of the unit;
2. Close vents in unused rooms;
3. Change dirty furnace filters; and
4. Check crawl space and attic to ensure that you have recommended levels of insulation.

Piedmont Natural Gas also recommends that customers enter an Equal Payment Plan. Under the Equal Payment Plan, the company calculates a customers' gas usage over the period of 12 months and divides it into 11 equal payments. The last (12<sup>th</sup> payment) will settle the account for the entire year. An Equal Payment Plan allows for better monthly budgeting, Ms. Thomas said.

Project Help is another Piedmont Natural Gas program that was established in 1982 to assist low-income elderly and disabled customers with their heating bills. It is a partnership between Nashville Gas (Piedmont) and Nashville Electric Service (NES). The program was initially administered by the Red Cross, later the Salvation Army and now by Big Brothers of Nashville. Money for Project Help is raised when customers voluntarily have an additional amount added to their monthly bill (for example \$1 or \$5 each month).

For information about payment plans go to [www.nashvillegas.com](http://www.nashvillegas.com) or [www.piedmontng.com](http://www.piedmontng.com) or call customer service at 734-0734 or 734-0665.

NES offers the following programs:

- NEAT – Nashville Electric Automatic Transfer;
- Budget Billing;
- Third-Party Notification;
- Critical Referral;
- Project Help;
- Watt Ads Energy Fund; and
- Kiosks.

### **Nashville Electric Service (NES)**

Teresa Corlew

NES vice president of corporate communications and customer relations, Teresa Corlew, said that NES encourages its customers to use NEAT and Budget Billing together. With Budget Billing customers will pay the same amount every month for 11 months and balance the account on the 12<sup>th</sup> month. Under the NEAT program, prior to the automatic payment, customers receive a bill notifying them of the exact amount of the transfer from their bank account. NES also is in the process of creating electronic bill payment.

She explained that Third-Party Notification is a program that allows a third-party, for example the child of an elderly person, to receive a free reminder that an electric bill is delinquent. This way the customer can be reminded to pay before electricity is disconnected.



The Critical Referral program allows clients to notify NES if a member in a household depends on an electrical life-sustaining device in the home. While the customers are urged to have a back-up plan, knowing that someone in a family needs electricity helps NES prioritize restoration of services in case of a power outage.

Big Brothers of Nashville administers Project Help, which allows customers to add \$1 or more to their monthly bill to help the elderly and disabled with their winter energy costs. Watt Ads coupons are sent out along customers' electric bills. Local businesses buy ads on these coupons, raising more than \$80,000 a year. That money goes into the Watt Ads Energy Fund, which is used by local area non-profit organizations including Big Brothers, Ladies of Charity, and the Metro Action Commission to provide energy assistance to the needy in the Nashville area. NES Kiosks started last September to allow customers without a checking account to pay their bill in cash at more than 20 convenient Tiger Market or Dollar General Stores, although there is a \$2 services charge from the kiosk provider (not NES).

NES receives about 1.5 million phone calls every year. About half of those calls are from people who need bill payment arrangements. "We make lots of arrangements every day," Ms. Corlew said. "We work with customers in any way that we can. We want to avoid cut-off." However, unlike other electric companies, NES is owned by the city (versus investor owned utilities). Thus, NES has an unusual set of guidelines and is required to treat all customers equally.

NES is currently in the process of considering an Opt-Out Program. Under this possible program, every bill would be rounded up to the next dollar amount. Customers would have the option to opt-out of the program. On average, a customer would pay about \$6 more every year. The money would be administered by Big Brothers, the Metro Action Commission and Ladies of Charities to support energy costs of low-income people. NES also allows spreading a deposit over three to four months. Reconnection fees generally cost \$35 and are a one-time payment. NES customer service can be reached at 736-6900.

### **Mid Cumberland Community Action Agency**

Debbie Houser

The Mid-Cumberland Community Action Agency works in seven counties surrounding Davidson County and offers weatherization for low-income homes. The goal is to reduce the energy cost of a home. Debbie Houser, weatherization director for the Mid-Cumberland Community Action Agency, explained that the amount of work done per house ranges in value from \$3,000 - \$10,000. The \$10,000 is usually spent in partnership programs where for example an electric or Gas Company helps pay part of the bill. Mid-Cumberland usually works together with Atlas Energy. In that partnership, trained energy advisers go out to the houses and conduct a complete survey of what is needed to weatherize a home. Next, energy improvements to each home are recommended depending on available funds. Then the project is given to the private contractor with the lowest

bid. Once improvements are implemented, the energy adviser goes back to ensure the weatherization was done properly and clients are happy.

After insulation improvements and other weatherization measures are in place, the homes' energy bills are usually reduced by one quarter to one-half. Customers generally are elderly and disabled persons with an income of 125% of the federal poverty income guidelines or less.

Mid-Cumberland Community Action Agency uses its weatherization program together with its energy assistance program. Once a home is weatherized, it reduces the monthly energy cost and increases the value of the house.

[The weatherization program in Davidson County is overseen by the Metropolitan Development and Housing Agency (MDHA) at 252-8500.]

## **State and Local Perspective of Assistance and Unmet Need**

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### **Tennessee Department of Human Services**

Regina Surber

As the director of Community Services of the Tennessee Department of Human Services, Regina Surber oversees the Low Income Home Energy Assistance Program (LIHEAP) and the weatherization program for the state of Tennessee. "For both of our energy assistance programs, we use the income guideline of 125% of the federal poverty guideline," Ms. Surber said. "Tennessee now has over 400,000 households that would actually fall within that income guideline. We see a very small segment of that population, probably about a fourth of that at this time."

Last year, just over 95,000 households applied for the LIHEAP program. The program was able to assist close to 83,500 of those households. Exactly 1,704 households received assistance under the weatherization program last year, which left 3,448 households on a waiting list. Both programs are federally funded and people end up on waiting lists when the state runs out of appropriated funding. DHS considers LIHEAP and weatherization to be companion programs and transfers 10% of the LIHEAP funds to the weatherization program, which saves energy cost in the long-term.

LIHEAP is funded at a level of about \$27 million per year for Tennessee, while the weatherization program received about \$4.1 million last year. This year, however, the weatherization program was reduced by 16%. DHS is trying to target services with the elderly, disabled and households with children less than 6 years of age receiving assistance first. However, the need is so big that LIHEAP and the weatherization program do not even meet the need of these targeted populations and people end up on the waiting list.

States have the flexibility to set their own benefit levels under LIHEAP. However, because the need is overwhelming, decision makers face the following dilemma: should they help more households and reduce the number of benefits, or should they pay bigger amounts to fewer people?

“The question is, are we truly helping a household with a \$600-bill when we only give \$200? Can they come up with the remaining \$400?” Ms. Surber asked. Unlike more northern or southern states, Tennessee’s climate causes a need for LIHEAP funding year-round to fight the cold in winter and the heat in summer. “Tennessee was on top of the list when it came to the number of deaths caused by high temperatures last year,” Ms. Surber said. With increasing energy costs, the need for assistance is on the rise. The gap between available resources and the number of assisted households is widening.

Last year, Tennessee served 88% of those who applied for assistance and many people in need do not apply because they are not aware about assistance programs or they are too proud to ask for help. Even for households that do apply, the help is only for one month. For the next month, they will have to turn somewhere else. One thing that worries state officials right now is the reduction in federal funding. The LIHEAP program is slated for a 20% reduction in the next federal budget.

### **Metropolitan Action Commission**

Marvin Cox

Marvin Cox, community program director for the Metropolitan Action Commission (MAC), gave a local perspective to LIHEAP. MAC is the Nashville agency that administers the LIHEAP funds locally. MAC directly pays NES or Nashville Gas (Piedmont Natural Gas). LIHEAP is a supplemental program. Customers are served based on their income, their energy burden and whether they fall under the target population (frail elderly, disabled or children under 6 years of age).

“The notion is that people who come in for assistance are people who rely on the government. That is not the case,” Mr. Cox said. “Between 2004 and 2008, the percentage of employed people who received assistance rose from 20% to 28%. These individuals are not sitting at home. They are working... they’re trying the best they can. So the notion that people are not working is simply not true,” Mr. Cox said. He indicated that the Nashville zip codes with the highest poverty rates are 37207, 37211, 37208, 37206, and 37115. At this point (March 2008), MAC has already spent available funding for this fiscal year (July 1-June 30), so that no funds will be available before July 1.

### **Big Brothers**

Laura Smith Tidwell, Board President; NES

Big Brothers was founded in 1912 and is one of the oldest nonprofit organizations in Nashville, said board member and past president Laura Smith Tidwell. She explained that a group of businessmen printed and sold a tabloid newspaper in exchange for donations. The donations were used to buy food baskets, which were distributed to needy people at Christmas. Big Brothers soon included other benefits to the community’s poor. The organization also donated the first two dialysis

machines to Vanderbilt. Now Big Brothers provides energy, clothing (especially for children) and food assistance.

“Needs always exceed resources,” Ms. Smith Tidwell said. Big Brothers does not receive state or federal funding, only private funding, and as such is able to provide help quickly if needed. It only has one full-time and one part-time position, and is fully dependent on volunteer work. People can help by donating \$1 or more to Project Help, which is administered by Big Brothers. The entire donated amount of Project Help goes to energy assistance for people in need.

## **United Way**

Rachel Freeze

One largely untapped resource in Davidson County is the Earned Income Tax Credit, said Rachel Freeze, manager of the Nashville Wealth Building Alliance. “The Earned Income Tax Credit is a refundable tax credit based upon your filing status and the number of qualifying children you have,” Ms. Freeze explained. “It rewards work, it can equate to a \$2-per-hour wage increase, it reduces welfare dependency, it reduces the burden of other anti-poverty resources, and it increased the supply of single-wage earners.” A married couple with two children can receive as much as \$4,700 in Earned Income Tax Credit this year.

Ms Freeze indicated that their organization had worked with Vanderbilt University to conduct an economic impact study. Ms. Freeze said, “We discovered that in our county the Earned Income Tax Credit is used most for health and human services than anything else, including retail.” Utilities are included in that. However, the IRS estimates that in Davidson County as much as 25% of people who are eligible for the Earned Income Tax Credit are not using it. That equates to \$8 million that remain unclaimed. Claiming the Earned Income Tax Credit (EICT) is not only a benefit to low-income people but also to the Davidson County economy. For every EICT dollar that enters the Davidson County economy, \$1.07 is produced. The program also retains and produces jobs. It is one of the most effective anti-poverty tools in America, according to the Brookings Institute.

To help people claim the EICT benefits, United Way collaborates with the IRS and provides VITA sites, which helps prepare tax returns for households earning \$40,000 or less. Even low-income households that are not required to file a tax return must fill one out in order to qualify for their Earned Income Tax Credit. Ms. Freeze also recommended that tax assistance should be combined with financial education, so people know how to budget long-term. For example, many people do not realize that they save up to \$40,000 over their lifetime just by having a checking account (source: Brookings Institute).

## Conclusions and Next Steps

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- Take a proposal to decision makers that requests that all publicly assisted housing units are Energy Star homes – energy efficient homes. Publicly assisted housing includes all homes that receive government subsidies.
- Urge local housing authorities and decision makers to create an incentive for Section 8 property owners to weatherize their rental units and make them energy efficient.
- Promote the Earned Income Tax Credit. Help nonprofits and other groups spread the word about Earned Income Tax Credit and that low-income households need to file taxes to receive it. Such information can be recorded on voice messages. Instead of easy listening, people will hear a message about the Earned Income Tax Credit and a phone number they can call for further information. Include information where these households can receive free help to file their taxes.
- Utilities should organize an annual outreach to people who owe them \$250 or more. Send them a letter informing them about the Earned Income Tax Credit. The money that low-income households receive can be used to pay outstanding energy bills.
- Organize a Business Summit that deals with fuel poverty. Include upper level management leaders from large businesses in the community. Talk about why they should be involved.
- Make sure the city has a heat response plan. Such a plan would include monitoring of people who cannot cool down their homes and list locations where these people could go so they don't die from heat strokes and other heat related illnesses.
- Encourage local utilities to offer incentives for beneficial behavior. For example, utilities can waive deposits if people are willing to go to budget billing or if they participate in financial literacy training. Low-income households could show their utility company a financial literacy certificate as proof of participation of such a program.
- Utilities could wave late fees for low-income households. They could attach strings such as, "we will wave your late fee if you agree to go through a financial literacy training program."
- Ensure that a fuel poverty component is included in all local poverty summits.
- Urge state and local decision makers to increase the weatherization home improvement program above the 125% poverty level, on condition of cost sharing with renters who reach a certain income level.
- Create a city-wide, mandatory free 9-1-1 service, so that people who now do not have a telephone have access to an emergency line.
- Reach out to school nurses to help identify families who are in trouble. Make school nurses a part of existing outreach networks.